

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
JULY 14, 1994, 10:00 AM EST

The Members of the Department of Financial Institutions met at 10:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, July 14, 1994. Members present were Messrs. W. Paul Wolf, Vice-Chairman, presiding, Tony Zaleski, Norman Lowery, Daniel Leitch, and Ms. Dee Godme. Also present from the Department were Charles W. Phillips, Director; Kirk J. Schreiber, Bank Analyst; Eric Roberts, Bank Analyst; Randall L. Rowe, Bank Supervisor; James M. Cooper, Deputy Director, Depository Institutions; J. Philip Goddard, Deputy Director, Non-Depository Institutions; Mark K. Powell, Supervisor, Credit Unions; Mark K. Tarpey, Division Coordinator, Consumer Credit Division; Michael Levine, Law Clerk, and Janice L. Davis, Administrative Assistant. Messrs. Hasten and Grant were absent.

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: August 11, 1994, at **10:00** a.m. EST.
- C.) Approval of the minutes of the meeting held June 9, 1994. A motion was made for approval of the minutes by Mr. Zaleski and seconded by Mrs. Godme. The minutes were unanimously approved.
- D.) Re-organization of the Members as stipulated in IC 28-11-1-8.
 - 1. Election of Vice Chairman - Mrs. Godme made a motion to nominate Mr. Wolf as Vice Chairman, and was seconded by Mr. Zaleski. The motion was unanimously approved.
 - 2. Election of Secretary - Mr. Leitch made a motion to nominate J. Philip Goddard as Secretary and was seconded by Mr. Lowery. The motion was unanimously approved.
 - 3. Election of Assistant Secretary - A motion was made by Mr. Lowery to nominate James M. Cooper as Assistant Secretary and was seconded by Mr. Leitch. The motion was unanimously approved.
 - 4. There were no other organizational matters which needed to be addressed at this time.

DIVISION OF BANKS AND TRUST COMPANIES

- A.) **Lafayette Bank and Trust Company, Lafayette, Tippecanoe County, Indiana**
Mr. Kirk J. Schreiber, Bank Analyst, presented the application. Lafayette Bank and Trust Company (Lafayette) applied to the Members of the Department for approval of a merger with the Bank of Reynolds (Reynolds), Reynolds, White County, Indiana, pursuant to IC 28-1-7. Lafayette and Reynolds are both wholly-owned subsidiaries of Lafayette Bancorporation. Following the merger, the main office of Reynolds and its branches will become branches of the Lafayette Bank and Trust Company. Mr. Schreiber pointed out that the resulting bank will have an adequate Tier One capital ratio of 8.28%. There is to be no managerial changes with respect to the resultant bank, and the board of directors and executive officers will be the same for both Lafayette and Reynolds. It is recommended by Department staff that this application be approved. A motion was made for approval by Mr. Lowery and seconded by Mrs. Godme. The merger was unanimously approved.

B.) **Town Financial Corporation, Hartford City, Blackford County, Indiana**

This application was presented by Mr. Eric D. Roberts, Senior Bank Analyst, and was rescheduled from the June 9, 1994, meeting for purposes of obtaining additional information. Town Financial Corporation (Town) is seeking to acquire 100% control of Pacesetter Bank of Hartford City, Hartford City, Blackford County, Indiana. The financial aspects of this transaction were reviewed at the last members meeting and this item appears for purposes of providing the additional information the members requested concerning the shareholder transaction that will take place. This information was supplied by representatives of Krieg, DeVault, Alexander & Capehart, and there was a general discussion of this information. A motion was made for approval of the application by Mr. Lowery and seconded by Mr. Leitch. The application was unanimously approved.

C.) **Town Financial Corporation, Hartford City, Blackford County, Indiana**

This application was presented by Mr. Eric D. Roberts, Senior Bank Analyst, and was rescheduled from the June 9, 1994, meeting for purposes of obtaining additional information. Town Financial Corporation (Town) is seeking to acquire 100% control of Pacesetter Bank of Montpelier, Montpelier, Blackford County, Indiana. The financial aspects of this transaction were reviewed at the last members meeting and this item appears for purposes of providing the additional information the members requested concerning the shareholder transaction that will take place. This information was supplied by representatives of Krieg, DeVault, Alexander & Capehart, and there was a general discussion of this information. A motion was made for approval of the application by Mrs. Godme and seconded by Mr. Zaleski. The application was unanimously approved.

D.) **Norwest Corporation, Minneapolis, Hennipen County, Minnesota**

Mr. Kirk J., Schreiber, Bank Analyst, presented the application to the Members. Norwest Corporation, a Minnesota bank holding company, applied to the Members of the Department for approval to acquire 100% control of La Porte Bancorp, Inc., Hammond, Lake County, Indiana, a bank holding company of the La Porte Bank and Trust Company, La Porte, Indiana. This transaction is pursuant to the provisions of IC 28-2-16. Norwest has formed a wholly owned subsidiary for the purpose of facilitating this transaction. La Porte Bank and Trust will be the surviving corporation of the merger and will continue as a wholly owned subsidiary of Norwest.

The merger agreement provides that each of the 273,134 shares of La Porte common stock will be converted and exchanged for shares of Norwest common stock. As of June 30, 1994, the market value of Norwest common stock was \$26.12 per share. The price to be paid for La Porte common stock will be \$12,799,885.47, which represents a price premium of 1.68 of book value.

In the opinion of the Department staff, statutory requirements of IC 28-2-16-17(e) have all been satisfactorily met. A motion for approval of the application was made by Mr. Leitch and seconded by Mr. Zaleski. The application was unanimously approved.

E.) **City Savings Bank, Hartford City, Blackford County, Indiana**

The application was presented by Mr. Eric D. Roberts, Senior Bank Analyst. City Savings Bank has applied to the Members of the Department for approval to convert from a state-chartered stock savings association to a state-chartered stock savings bank pursuant to IC 28-1-21.8-11.

As of December 31, 1993, the applicant had total assets of \$34 million and total equity capital of \$3.3 million. Tier one leverage capital equals 9.78% of total assets as of the same date. On June 3, 1994, the board of directors adopted a resolution which authorized the conversion of the stock savings association and for it to proceed to obtain all necessary regulatory approvals.

It is the Department's role in this application to either approve or disapprove the plan of conversion. As an Indiana stock savings bank the institution will be regulated by the Department and governed by the provisions of IC 28-6.1. The Office of Thrift Supervision will discontinue its regulatory authority over the applicant upon conversion, and the FDIC will become the primary federal regulator. Pursuant to IC 28-1-21.8-11, regarding the plan, this investigation finds that overall the

institution is operated in a safe, sound, and prudent manner and management is found to be competent and qualified. The applicant maintains adequate capital and is profitable. The proposed conversion will not jeopardize the interests of the depositors, creditors, or the public. Based upon these conclusions, the Department staff made a recommendation of approval of the plan of conversion. A motion was made for approval by Mr. Zaleski and seconded by Mr. Lowery. The Plan of Conversion was unanimously approved.

F.) **Indiana Community Bank, SB, Lebanon, Boone County, Indiana**

The application was presented by Mr. Eric D. Roberts, Senior Bank Analyst. Indiana Community Bank, SB (Community), a State mutual savings bank, applied to the Members of the Department of Financial Institutions for approval of a Plan of Conversion, whereby the institution will convert from a mutual savings bank to an Indiana stock savings bank, pursuant to the provisions of IC 28-1-21.9-11. The name of the institution will not change as a result of the conversion.

On December 16, 1993, the Department approved a Plan of Mutual Bank Conversion to permit the applicant to convert from a federally chartered mutual savings bank to an Indiana mutual savings bank. This conversion was effective December 30, 1993.

As of March 31, 1994, the bank had total assets of \$86.4 million and retained income of \$5.5 million.

On January 19, 1994, the board adopted a resolution for a Plan of Conversion.

The bank will offer for sale up to 925,000 shares of common stock at a price of \$10.00 per share in a subscription offering to the following persons in the following order of priority: (i) savings deposit account holders as of December 31, 1992, with aggregate deposits at the close of business on such date of at least \$50.00 (Eligible Account Holders"); (ii) savings deposit account holders, other than eligible account holders, as of the "supplemental eligibility record date" which is defined as the close of business on the last day of the calendar quarter preceding the approval of the Plan of Conversion by the Department, with aggregate deposits at the close of business on such date of at least \$50.00 ("Supplemental Eligible Account Holders"); and, (iii) Depositor and borrower members as of the voting record date for the special meeting, who are not eligible holders or supplemental eligible account holders. Within such class of persons eligible to participate in the offering, priority shall be given to persons residing in Boone County, Indiana, in the event of an over-subscription within such class.

The appraisal of the institution was prepared by Trident Financial Corporation of Raleigh, North Carolina. In preparing this evaluation as of March 17, 1994, Trident reviewed the preliminary application for conversion. In making the evaluation, Trident reviewed the economy of the bank's primary market area, and compared its performance with selected segments of the thrift industry, particularly certain publicly held companies. The March 17, 1994, appraisal was updated.

In preparing the update of the bank's pro forma market value, Trident reviewed the operating and market conditions of actively traded publicly held thrift institutions as of June of 1994, as well as the overall stock market conditions. As a result of this re-evaluation, Trident increased the pro forma valuation of the bank from \$7 million to \$9.25 million dollars. The recommended range of value is 85% of the appraised value to 115% of the appraised value.

Each person subscribing for stock in the conversion must subscribe for at least 25 shares of the common stock. The maximum aggregate number of share, which any person or entity, either alone or in concert, may purchase is 46,250 shares.

The directors, officers, and employees of the bank anticipate subscribing for stock in the aggregate amount of \$1.1 million dollars. Following the approval by the Department, the plan will be submitted to a special meeting of the voting members of the bank. The sale of shares of common stock in the conversion is conditioned upon approval of the Plan of Conversion of Indiana Community Bank, by a majority of the votes eligible to be cast by the members of the bank at the special meeting. At the next annual meeting the board intends to submit for shareholder approval, stock benefit plans for directors, officers, and employees of the bank.

After completing a thorough investigation of the financial data submitted by the applicant, it is the staff's opinion that the bank is operated in a safe, sound, and prudent manner. Management is found to be competent and qualified. The bank maintains adequate capital and is profitable. The proposed mutual to stock conversion will not jeopardize the interest of the depositors, creditors,

or the public. Based upon these findings the Department makes a recommendation of approval of the application subject to certain conditions. The staff suggests that the application be approved subject to 1) the approval by the Director of the Department of a revised strategic business plan; 2) that any proxy statements to be provided to the shareholders voting on the management retention plans, and the stock option plan, be reviewed by the staff prior to such issuance; and, 3) submit for prior review by the staff of the Department, any offering circular to be used for the future issuance of either common or preferred shares of stock which are not part of the conversion. Mr. Lowery made a motion for approval with the incorporation of the proposed conditions, and was seconded by Mr. Zaleski. The Plan of Conversion was unanimously approved.

G.) **The Francisco State Bank, Francisco, Gibson County, Indiana**

The application was presented by Mr. Eric D. Roberts, Senior Bank Analyst. The Francisco State Bank (Francisco) applied to the Members of the Department for approval of a Plan of Exchange between Francisco State Bank and FSB Financial Corporation, Francisco, Gibson County, Indiana, (FSB), a newly-formed, one-bank, Indiana holding company. The plan provides for the exchange of one (1) share of Francisco common stock for one (1) share of FSB common stock. A hearing was held on June 10, 1994, for purposes of determining the fairness of the Plan of Exchange, and was presided over by Director Charles W. Phillips, and sworn testimony was received by witnesses. Director Phillips prepared a recommended order which is being proposed to the members for approval. A motion for approval was made by Mrs. Godme, and seconded by Mr. Leitch. The recommended order as proposed, and the Plan of Exchange were unanimously approved.

DIVISION OF CREDIT UNIONS

- A.) Mark K. Powell, Supervisor, Credit Union Division, presented an application of merger from Allen County Co-Operative Credit Union, New Haven, Allen County, Indiana into Dekalb Financial Credit Union, Auburn, DeKalb County, Indiana. This is a voluntary merger initiated by the Allen County Cooperative Credit Union board of directors to provide the membership of Allen County Cooperative Credit Union with the more sophisticated services provided by the much larger DeKalb Financial Credit Union located in Auburn, Indiana. Both of these credit unions are State chartered and are insured by the National Credit Union Share Insurance Fund. A motion for approval was made by Mr. Leitch and seconded by Mrs. Godme. The merger was unanimously approved.

DIRECTOR'S COMMENTS AND REQUESTS

A.) **The Fountain Trust Company, Covington, Fountain County, Indiana**

The bank has notified the Department that they have closed their branch banking office which was known as "The Downtown Branch" located at 329 4th Street, Covington, Fountain County, Indiana. The office was closed on July 1, 1994 at 3:00 P.M. This item is for informational purposes only.

- B.) The Director advised the Members of actions taken pursuant to delegated authority, which were as follows:

DIVISION OF BANKS & TRUST COMPANIES

1) **PEOPLES TRUST COMPANY, LINTON, GREENE COUNTY, INDIANA**

The bank has submitted an application to relocate its main office from 59 South Main Street, Linton, Greene County, Indiana, to the junction of State Road 54 East and Lone Tree Road, Linton, Greene County, Indiana. The request was approved by the Director under Delegated Authority on June 27, 1994.

2) **LAKE CITY BANK, WARSAW, KOSCIUSKO COUNTY, INDIANA**

The bank has submitted a request to establish a branch banking office to be located at 895 North Van Buren Street, Shipshewana, Lagrange County, Indiana. The branch will be known as "Lake City Bank Shipshewana Office." The proposed branch will be the bank's 24th branch. The request was

approved by the Director under Delegated Authority on July 13, 1994.

- 3) MUTUAL BUILDING AND LOAN ASSOCIATION, FRANKLIN, JOHNSON COUNTY, INDIANA
The institution has submitted a request to establish a branch banking office to be located at 1124 North Main Street, Franklin, Johnson County, Indiana. The proposed branch will be known as "Main Street Branch - Mutual Savings Bank." This will be the institution's second branch. The request was approved by the Director under Delegated Authority on July 13, 1994.
- 4) FIRST BANK RICHMOND, S.B., RICHMOND, WAYNE COUNTY, INDIANA
The bank has applied to the Department for approval to establish a branch banking office to be known as "County Market Branch." The proposed branch will be located at 2300 West National Road, Richmond, Wayne County, Indiana. This will be the institution's fourth branch. The request was approved by the Director under Delegated Authority on July 13, 1994.

CREDIT UNION DIVISION

- 1) DEKALB FINANCIAL CREDIT UNION, AUBURN, DEKALB COUNTY, INDIANA

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Bohren Transport, Inc. - Garrett - 90 members

The request was approved by the Director under Delegated Authority on June 2, 1994.
- 2) PERFECT CIRCLE CREDIT UNION, HAGERSTOWN, WAYNE COUNTY, INDIANA

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Delta Music Distribution Center, Inc. - Richmond - 6 members

The request was approved by the Director under Delegated Authority on June 6, 1994.
- 3) JET CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Mayflower Transit, Inc. - Carmel - 100 members
Killion Insurance Agency - Indianapolis - 3 members
Paramount Electronic Laboratories, Inc. - Greenwood - 6 members

The request was approved by the Director under Delegated Authority on June 13, 1994.
- 4) JET CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

Request for approval of an Application to establish a branch office at 9888 North Meridian Street, Carmel, Indiana.

The request was approved by the Director under Delegated Authority on June 28, 1994.
- 5) DEKALB FINANCIAL CREDIT UNION, AUBURN, DEKALB COUNTY, INDIANA

Request for approval of an Application to establish a branch office at 1314 Minnich Road, New Haven, Indiana.

The request was approved by the Director under Delegated Authority on June 30, 1994.

CONSUMER CREDIT DIVISION

- 1) Request for a Consumer loan license by Cumberland Funding Group, Inc. They will be located in Indianapolis and have one branch location. The Principals of the Corporation have a check cashing license with our Department under the name of Zinnvest, Inc. d/b/a Check-X-Change. They are obtaining the loan license to make small, single payment loans to their check cashing customers. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 9, 1994.
- 2) Request for a Consumer loan license by MorEquity, Inc. of Evansville. This is a real estate lending subsidiary of American General Finance, Inc. which operates at over 80 locations in Indiana under loan license #1044. The loans under this entity will be acquired from licensed affiliates in other states. At the present time, no loans will be made in Indiana. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 9, 1994.
- 3) Request for a Consumer loan license by Beneficial Mortgage Corporation. The license will be located in Brewster, New York. They are obtaining the license in the event they would want to refinance a second mortgage loan in Indiana that has been purchased by this entity. They would use local attorneys and title companies to close these types of loans. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 9, 1994.
- 4) Request for a Consumer loan license by ICM Mortgage Corporation of Greenwood Village, Colorado. At the present time, they will not have a location in Indiana. They will use local attorneys and title companies to close second mortgage loans. They have a Consumer loan license in Colorado, Ohio and Maryland. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 9, 1994.
- 5) Request for a Pawnbroker license by Cash America Pawn of Indiana, Inc. d/b/a Cash America Pawn of Indianapolis #6. Cash America is the largest pawnshop operator in the world with over 230 stores in eight States and 26 stores in Great Britain. Cash America stock is traded on the NYSE. No objections were offered by local law enforcement. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 9, 1994.
- 6) Request for a Pawnbroker license by Cash America Pawn of Indiana Inc. d/b/a Cash America Pawn of Fort Wayne #3. No objections were offered by local law enforcement. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 9, 1994.
- 7) Request for a Pawnbroker license by Renappli of Vincennes, Inc. d/b/a Piggy Banc Pawn Shop. They will be located in Vincennes. The investigation of character, fitness and financial responsibility revealed no derogatory information. They are registered with the Department under the Rent-to-own act. The pawnbroker license will not be at the same location. No objections were offered by local law enforcement. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 9, 1994.
- 8) Request for three pawnbroker licenses by EZ Pawn Indiana, Inc. d/b/a EZ Pawn #10, #11, #12. These will all be located in Indianapolis. EZ Pawn Indiana, Inc. is an operating subsidiary of EZ Corp, Inc. a holding company which currently owns and operates over 200 pawnshops in nine states. EZ Corp, Inc is publicly traded on the NASDAQ exchange and has \$120 million in equity. The company has successfully concluded three public offerings and has access to a \$40 million line of credit which is presently unused. The investigation revealed no derogatory information. No objections were offered by local law enforcement. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 28, 1994.
- 9) Request for a consumer loan license by NVR Mortgage Finance, Inc. They are based in Pittsburgh, Pennsylvania. They will have a location in Indianapolis. They are obtaining the license to make

home equity, line of credit, second mortgage loans. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 28, 1994.

- 10) Request for a consumer loan license by Homeowner's Financial Services, Inc. They are a subsidiary of State Savings Bank of Dublin, Ohio. They will have a location in Indianapolis. They are obtaining the license in the event they would want to make second mortgage loans. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 28, 1994.
- 11) Request for a check casher license by American Check Cashing of Fort Wayne. They will not have any branch locations. They have met all of the requirements of the check cashing law. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on June 28, 1994.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

W. Paul Wolf, Vice Chairman

J. Philip Goddard, Secretary